

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 EB-11 IGA-02 AID-20 AGR-20 OMB-01

TRSE-00 FRB-03 XMB-07 CIAE-00 DODE-00 PM-07 H-03

INR-11 L-03 NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03

SS-20 USIA-15 SWF-02 DRC-01 /163 W

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P 172030Z JUL 74

FM AMEMBASSY SANTO DOMINGO

TO SECSTATE WASHDC PRIORITY 0977

C O N F I D E N T I A L SANTO DOMINGO 2913

E.O. 11652: GDS

TAGS: EAID, EFIN, EAGR, DR

SUBJECT: PRESIDENT BALAGUER REQUESTS PL-480 ASSISTANCE

REF: SD 2016

1. PRESIDENT BALAGUER HAD TWO OF HIS OFFICIALS HAND
DELIVER A PERSONAL LETTER TO ME, JULY 15, REQUESTING
PL-480 ASSISTANCE UNDER TITLE I FOR FY1975 IN THE
FOLLOWING AMOUNTS:

PRODUCT	VOLUME	TOTAL
WHEAT	125,000 M.T.	\$21,250,000.00
SOYBEAN OIL AND/OR	25,000 M.T.	\$20,500,000.00
COTTONSEED OIL		
CORN	10,000 M.T.	\$12,500,000.00

2. ABOVE AMOUNTS, OF COURSE, REPRESENT APPROXIMATELY
TOTAL ANNUAL IMPORT REQUIREMENTS OF THE DR OF THESE PRODUCTS, AND
WE DOUBT THAT EVEN THE DOMINICANS EXPECT AS MUCH AS THEY ARE
ASKING. NEVERTHELESS, DR DOES HAVE ON OF MOST
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SERIOUS BLANCE OF PAYMENTS SITUATIONS IN LATIN AMERICA.

EVEN BEFORE RECENT QUANTUM JUMPS IN PRICE OF PETROLEUM IMPORTS, EMBASSY WAS RECOMMENDING A PL-480 PROGRAM OF \$11.5 MILLION FOR FY75 (SEE LAST YEAR'S CASP AND DAP). IN OUR LATEST CASP I RECOMMENDED \$7 MILLION UNDER TITLE I AND \$4 MILLION UNDER TITLE II FOR FY75, OR A TOTAL OF \$11 MILLION FOR FY75. SINCE MAKING THOSE RECOMMENDATIONS, WE BELIEVE THAT DOMINICAN BALANCE OF PAYMENTS SITUATION HAS BECOME MORE SERIOUS. THE SHARP INCREASE IN PETROLEUM PRICES WILL COST THE COUNTRY SOME \$100 MILLION MORE IN 1974. WHILE LARGE INCREASES IN SUGAR AND CACAO PRICES WILL OFFSET A CONSIDERABLE PORTION OF THESE INCREASED PETROLEUM COSTS, WE ESTIMATE, NEVERTHELESS, THAT BALANCE OF PAYMENTS DEFICITS IN 1974 WILL BE ABOUT \$20 MILLION AND IN 1975 ABOUT \$30 MILLION, TOTALLING SOMEWHAT MORE THAN THE NET FOREIGN EXCHANGE RESERVE OF \$38 MILLION. CURRENTLY THE COUNTRY ONLY HAS ABOUT ONE MONTH'S WORTH OF IMPORTS AT THE 1973 RATE IN NET FOREIGN EXCHANGE HOLDINGS.

3. THIS BEING THE CASE, I RECOMMEND THAT WE MOVE FORWARD AS QUICKLY AS POSSIBLE ON A PL-480 TITLE I PROGRAM OF 45,000 TONS OF WHEAT, VALUED AT APPROXIMATELY \$7,650,000 AND 4,500 TONS OF SOYBEAN OIL VALUED AT APPROXIMATELY \$3,690,000 DURING FY75. THIS AMOUNT IN DOLLARS IS APPROXIMATELY WHAT WE RECOMMENDED FOR TITLE I AND TITLE II IN THIS YEAR'S CASP. IT SHOULD BE NOTED, HOWEVER, THAT BECAUSE OF THE SHARP PRICE INCREASES THE VOLUMES WHICH THE DR WOULD RECEIVE WOULD BE CONSIDERABLY LESS.

4. ALTHOUGH WE DO NOT WISH TO OVER-EMPHASIZE PERTINENT POLITICAL CONSIDERATIONS, WE BELIEVE THAT THE ATTITUDE OF PRESIDENT BALAGUER IN THIS AUTOCRATIC COUNTRY SHOULD BE ADDRESSED. AT VIRTUALLY EVERY MEETING I HAVE HAD WITH PRESIDENT BALAGUER HE HAS RAISED THE QUESTION OF ASSISTANCE UNDER PL-480 TITLE I. THE FACT THAT HE HAS BEGUN TO PAY HIS INDEBTEDNESS AT AN ADEQUATE RATE WITHOUT ANY COMMITMENT ON OUR PART FOR FURTHER PL-480 TITLE I ASSISTANCE (WHICH HAS BEEN CHARACTERIZED AS A QUOTE MINOR MIRACLE UNQUOTE BY THOSE WHO INTIMATELY KNOW THE OLD HORSE-TRADER) IS A CLEAR DEMONSTRATION OF THE IMPORTANCE HE PERSONALLY ATTACHES TO SUCH ASSISTANCE.

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BALAGUER IS GOING TO BE AROUND FOR FOUR MORE YEARS AND CAN, I BELIEVE, CONTINUE TO BE USEFUL TO US IN A VARIETY OF WAYS. THE HOPE WE ARE PLACING IN HIM TO BREAK THE JAMAICAN BAUXITE

FORMULA, FOR EXAMPLE, COULD EASILY BE REPEATED IN SOME OTHER CIRCUMSTANCES AS THE WORLD MOVES RAPIDLY IN UNFORESEEN WAYS. I AM NOT REPEAT NOT MAKING FOOLISH PREDICTION THAT FAILURE ON OUR PART TO PROVIDE THE GODR WITH A FAIRLY SUBSTANTIAL PL-480

TITLE I PROGRAM WILL TURN BALAGUER AGAINST US NOR CAN I PREDICT A ONE FOR ONE OR ANY OTHER QUANTIFIABLE EQUATION OF WHAT WE MAY SPECIFICALLY OBTAIN FROM BALAGUER WERE WE TO AGREE TO SUCH A PROGRAM, BUT I DO KNOW THAT TODAY HE IS A FRIEND, THAT HE MEASURES CAREFULLY WHAT SUCH FRIENDSHIP MEANS, AND THAT ONE SUCH MEASURE IS THE PL-480 PROGRAM.

5. I DO NOT BELIEVE THAT THE FACT THAT THE DR IS NOT COMPLETELY UP-TO-DATE ON ITS PL-480 PAYMENTS SHOULD BE THE OVERRIDING OR ONLY DETERMINING FACTOR IN VIEW OF THE FOLLOWING: THE PRESIDENT'S LETTER TO ME (TEXT BEING POUCHED), REPORTED ABOVE, CONTAINS THE FOLLOWING COMMITMENT: QUOTE AS WE HAVE ALREADY INFORMED YOU, THE GOVERNMENT WILL CONTINUE PAYMENTS ON PREVIOUS OVERDUE PL-480 DEBTS AT THE RATE OF \$1 MILLION PER PAYMENT UNTIL THE AMOUNT OUTSTANDING HAS BEEN CANCELLED UNQUOTE. THE TWO GODR OFFICIALS WHO DELIVERED THE LETTER REMARKED THAT IN ADDITION TO THE RECENT PAYMENTS OF \$993,365.92 ON MAY 29, 1974, AND \$984,369.13 ON JUNE 6, 1974, THE GODR ALREADY HAS QUOTE EN TRAMITES UNQUOTE ANOTHER \$1 MILLION PAYMENT. WHEN PRESSED ON THE LATTER, THEY SAID THE PAYMENT HAD ALREADY LEFT THE BUDGET OFFICE AND THAT THE CENTRAL BANK WAS NOW REPEAT NOW ARRANGING THE FOREIGN EXCHANGE.

6. PLEASE ADVISE ON SUBSTANTIVE REPLY TO THE PRESIDENT.
HURWITCH

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Message Attributes

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To: STATE
Type: TE
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